THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI DALBIR SINGH): (a) The Industrial Development Bank of India (IDBI) has reported that the financial institutions have not laid down any new norms for financing the electronics component industry. The norms applicable to other industries are also applicable to this industry.

(b) Does not arise.

Establishment of private insurance companies

411. SHRI S. S. AHLUWALIA: Will the Minister of FINANCE be pleased to state:

(a) whether Government propose to allow private insurance companies to be established in the country so that better Insurance facilities can be given to the consumers through competition; and

(b) if not, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI DALBIR SINGH): (a) and (b) There is no proposal to allow private insurance companies to operate in the country. Both life and general insurance business are in the nationalised sector, and nationalisation was done through an appropriate Act of Parliament, in pursuance of certain socio-economic objectives. Since the legislations leading to nationalisation are still in force, the question of allowing private insurance companies to be established in the country does not arise.

Deduction of tax at source on interest earned on fixed deposits

412. MISS SAROJ KHAPARDE: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that Government have decide to tax at source the 'Interest' earned on fixed deposits by bank depositors mostly fixed middle income group and retired personnel, if the 'interest' exceeds Rs. 2,500 per annum, even if such persons do not fall in the tax bracket as per the editorial entitled "Penalising Depositors", which appeared in the Hindustan Times, of 21st October, 1991;

(b) whether it is also a fact that under Section 80L of the Income Tax Act, bank interest including dividends, upto Rs. 7,000 are still exampted from tax; and

(c) if so, in what manner and by when Government propose to remove this glaring anomaly?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI RAMESHWAR THAKUR): (a) The Finance (No. 2) Act, 1991 has amended section 194A of the Income-tax Act only to secure deduction of tax at source from interest on time deposits. No new tax has been imposed on interest earned on fixed deposits. There will be no deduction of tax under section 194A where the tax payer furnishes an affidavit or statement in writing to the bank declaring that his estimated total income for the relevant assessment year is below the taxable limit;

(b) Yes, Sir.

(c) There is no anomaly. No tax will be deducted from persons whose income, after allowing all deductions under Chapter VI A (including under section 80L), falls below the taxable limit, if they file the required declaration.